



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

March 9, 2011

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To: Mayor Michael D. Antonovich
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From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "WTF", followed by a horizontal line.

SACRAMENTO UPDATE

This memorandum contains an update on a State Budget proposal to eliminate community development commissions; a pursuit of County position on legislation that would amend the State's Personal Income and Corporation Income Tax laws to conform with the Federal Patient Protection and Affordable Care Act of 2010, and the status of a County-supported bill which would require that every city with a population of less than 150 people be disincorporated into the city's respective county.

State Budget

Proposal to Eliminate Community Development Commissions. As reported in the March 4, 2011 Sacramento Update, last week the Conference Committee approved the Governor's proposal to eliminate Redevelopment Agencies (RDAs) for State General Fund savings of \$1.7 billion with the addition of statutory language to allow existing jurisdictions to address transition issues through financial flexibility and other strategies. The Conference Committee approved the framework of the Governor's proposal and it anticipates that further legislative deliberations regarding the appropriate local successor agency for RDAs will be necessary, including addressing affordable housing programs. Complete legislative language to address the dissolution of RDAs had not been released when the Conference Committee acted to approve the Governor's proposal.

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In addition to the impact from the elimination of RDAs on the Community Development Commission (CDC) and the County, the California Department of Finance also released draft trailer bill language that includes a provision which would eliminate existing community development commissions. **According to CDC, the proposal to disband all redevelopment agencies and community development commissions is overly broad and will create major unintended consequences, such as the disruption of millions of dollars for State and federally funded non-redevelopment programs.** CDC's non-Housing Authority programs total approximately \$162.0 million including over 47 cities participating in the Community Development Block Grant Urban County Program.

County Counsel has drafted amendments to the Department of Finance proposal to exclude the CDC from the proposed elimination of community development commissions, and is researching existing law to explore other options to establish a new County authority, which would retain the CDC's existing rights and powers to perform all the non-redevelopment activities, in the event the Department of Finance's proposal is enacted.

This office, CDC, County Counsel and the Sacramento advocates are working with the Administration and the Legislature to address the unintended consequences of the Department of Finance's proposed draft language and allow the CDC to retain its authority to continue the administration and operation of non-redevelopment programs.

Pursuit of County Position on Legislation

AB 36 (Perea), as amended on February 18, 2011, would add technical language which would amend the State Personal Income and Corporation Income Tax laws to conform with the Federal Patient Protection and Affordable Care Act of 2010. Specifically, this bill would provide language related to an exclusion from wages of amounts expended for medical care.

The Assembly bill analysis indicates that AB 36 is a tax conformity bill that makes the mandated implementation of health care reform an easier transition for the State. These technical changes are necessary because when changes are made to the Federal Income Tax law, California does not automatically update such provisions. Instead, State legislation is needed to conform to most of those changes. Legislation is introduced either as individual tax bills to conform to specific Federal changes or as an omnibus bill to conform to the Federal law.

The Chief Executive Office Employee Relations Branch indicates that when the Federal Patient Protection and Affordable Care Act was signed into law in 2010, adult children under the age of 27 became eligible under specific circumstances for coverage under a parent's health care insurance. As part of the Act, the additional cost of such coverage would be excluded from the parent's taxable income.

The Employee Relations Branch also indicates that, without the changes proposed in AB 36, the County would need to establish the value of adding an adult child to the parent's insurance, and include that value as employee income, which would require significant costs to conduct programming of the County payroll system. Further, without the amendments proposed by AB 36, the County would need to estimate the employee's tax liability, and then withhold the amount not deducted since the beginning of 2011. However, the language contained in AB 36 would allow the County to avoid costly consulting and attorney fees, in addition to payroll and financial systems programming costs.

The Auditor-Controller's Office indicates that AB 36 would save hundreds of hours of work that would be necessary to update and maintain the County's payroll system. In addition, without this legislation, the County's insurance benefits administrator would need to modify its systems at a substantial cost to the County.

This Office and the Auditor-Controller's Office support AB 36. Therefore, consistent with existing Board policy to support proposals to restructure State and local service responsibilities if they promote program effectiveness and cost containment, **the Sacramento advocates will support AB 36.**

AB 36 is supported by several organizations including the Butte County; Merced County; the California Association of Health Plans; the Association of Psychiatric Technicians; the California Chamber of Commerce; the California Hospital Association; the California Labor Federation; and the California School Employees Association. There is no opposition currently on file.

AB 36 passed the Assembly Appropriations Committee on February 24, 2011, by a vote of 15 to 0. The measure is currently in the Assembly Floor awaiting a vote.

Status of County-Advocacy Legislation

On March 1, 2011, the Los Angeles City Council met to consider taking a position on County-supported AB 46. The council meeting was attended by Assembly Speaker John Pérez, with 12 members of the City Council present. The Council heard testimony from City of Vernon business owners and members of the Teamsters Union, who

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testified against the passage of AB 46, citing for the most part, the danger of losing businesses and jobs. Community organizations and residents of neighboring cities offered testimony in favor of the bill citing the need to reform a corrupt city government and place controls on pollution-causing projects in the city.

The City Council voted unanimously to support AB 46, if amended, to provide for the protection of businesses and the approximate 50,000 existing jobs in the city, as well as the preservation of current electricity rates. Speaker Pérez stated that he is in agreement with the Council's request to include language addressing job protection and the provision of affordable power rates, and indicated that language would be drafted to that effect.

Council Member Janice Hahn also requested that the City's Chief Legislative Analyst obtain the bill's amended language and forward it to the Council for further review and decide if the language addresses the Council's concerns. Additionally, the City Council will no longer demand the annexation of Vernon into the City of Los Angeles as articulated in an early motion by Council Members Hahn and Perry.

We will continue to keep you advised.

WTF:RA
MR:RM:sb

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants